

1.0 Programs: Division of Risk Management

Summary

The Division of Risk Management was organized during FY 1980 to implement self insurance of the State. The Division provides liability, property and auto physical damage coverage to all state agencies, the forty school districts, all state-owned colleges and universities in addition to eight city/county health departments for loss or damage of their property, for liability claims against them, and for employee faithful performance bond losses. The liability insurance program is entirely self funded, while the property insurance program is self funded up to a \$2.5 million deductible with a private carrier. The Division has four internal sections; claims, loss control, ADA/Workers Compensation and support staff.

- The **Claims** section handles all claims against or for the state agencies. The claims are processed for fair and equitable settlement. Settlements are based on thorough investigation of the circumstances and law surrounding the claim. Each claim is handled separately and outcomes are based on their own merit.
- The **Loss Control** group provides valuable service to the insured by presenting training throughout the state; making annual inspections, with resulting corrective action suggestions; responding to requests for assistance with all types of safety problems; blueprint reviews for building construction and fire code applications; review of all facilities for handling and disposal of hazardous materials; and surveys for structural codes. They focus on programs designed to reduce vulnerabilities that have the potential to create loss. The objective of this section is to assist in designing and managing programs that will minimize the risk of loss.
- The **ADA/Workers Compensation** section provides training and assistance with Americans With Disabilities and workers compensation issues. This section coordinates all actions with the Workers Compensation Fund for state agencies. Services include claims review, case management, loss prevention programs, return to work programs and assistance in processing Workers Compensation claims.
- The **Support Staff** provides all of the necessary services to sustain division operations. Services include management of financial, administrative, and data processing systems. They also provide management of valuation of property and premium computation.

Risk Management coordinates with covered entities through working agreements, joint training, claims adjusting, technical consultation, plan reviews, risk reviews, self-inspection, inspections, newsletters, advisory letters, and other means. Each entity has a risk coordinator who is a primary contact point. Computer generated loss reports are frequently supplied to risk coordinators as are recommendations and inspection reports. Entity facility and property information is annually requested.

	FY 1999	FY 2000	Difference
Revenue	Estimated	Analyst	99Est/Analyst
Premiums	24,410,400	25,009,400	599,000
Interest	2,800,000	2,850,000	50,000
Total	\$27,210,400	\$27,859,400	\$649,000
Programs			
Risk Management	20,952,400	21,104,800	152,400
Workers Compensation	6,258,000	6,754,600	496,600
Total	\$27,210,400	\$27,859,400	\$649,000
Expenditures			
Personal Services	1,522,600	1,572,500	49,900
In-State Travel	21,300	21,300	
Out-of-State Travel	21,100	22,200	1,100
Sub -Total Travel	42,400	43,500	1,100
Current Expense	24,576,300	24,389,200	(187,100)
Data Processing	107,400	107,400	
DP Capital	56,000	56,000	
Capital Outlay	500,000	458,900	(41,100)
Pass-Through	87,500	87,500	
Total	\$26,892,200	\$26,715,000	(\$177,200)
Net Op. Income	\$318,200	\$1,144,400	\$826,200
FTE Standard	23.5	23.5	0.0
FTE Building Block	0.0	1.0	1.0
Total FTE	23.5	24.5	1.0
Auth. Capital Outlay	\$180,000	\$0	(\$180,000)
Retained Earnings	\$3,209,900	\$4,353,900	\$1,144,000

2.0 Budget Highlights: Division of Risk Management

2.1 Additional FTE for Claims Appraiser

The Analyst is recommending addition of one FTE in the Claims section. This position will appraise damage to State vehicles and provide appropriate indemnity.

2.2 State agency liability premium increases

Under FY 2000 rates proposed by the Division of Risk Management, liability premiums for most state agencies will increase by twenty percent resulting in additional Risk Management revenue of \$507,000. Premiums for Public Safety and Navajo Trust will decrease by twenty percent, while the Attorney General will see an eight percent decrease.

2.3 Equity Position rebates

Again in FY 1998, the Division of Risk Management issued rebates to user agencies based on equity position. The Department of Transportation received almost \$4 million at the end of FY 1998, while school districts received almost \$3 million. Such rebates are likely to recur in the future based on year-end adjustments made by accounting firm Deloitte and Touche.

3.1 Programs: Risk Management - Insurance Coverage

Recommendation

The Analyst is recommending the addition of one FTE and associated expenses of \$44,600 for an automobile appraiser in the Claims section.

Statement of Revenues and Expenses				
	FY 1998	FY 1999	FY 2000	Difference
Revenue	Actual	Estimated	Analyst	99Est/Analyst
Premiums	11,465,900	18,202,400	18,304,800	102,400
Int Inv Rst	2,705,100	2,750,000	2,800,000	50,000
Total	\$14,171,000	\$20,952,400	\$21,104,800	\$152,400
Expenditures				
Personal Services	1,331,300	1,383,100	1,432,600	49,500
In-State Travel	17,000	17,000	17,000	
Out-of-State Travel	15,800	18,500	19,600	1,100
Sub -Total Travel	32,800	35,500	36,600	1,100
Current Expense	12,618,700	18,807,600	18,181,500	(626,100)
Data Processing	148,300	106,500	106,500	
DP Capital	33,000	56,000	56,000	
Capital Outlay	68,500	500,000	458,900	(41,100)
Pass-Through	85,400	83,500	83,500	
Total	\$14,318,000	\$20,972,200	\$20,355,600	(\$616,600)
Net Op. Income	(\$147,000)	(\$19,800)	\$749,200	\$769,000
FTE Standard	21.5	21.5	21.5	0.0
FTE Building Block	0.0	0.0	1.0	1.0
Total FTE	21.5	21.5	22.5	1.0
Auth. Capital Outlay	\$39,400	\$180,000	\$0	(\$180,000)
Retained Earnings	\$1,847,000	\$1,827,200	\$2,576,000	\$748,800

Summary

The State Risk Manager administers the State's property and liability insurance program. The liability insurance program is entirely self-funded, while the property insurance program is self-funded up to a \$2.5 million deductible with a private carrier.

The Risk Management Fund is established to handle losses to or claims against the state, its agencies and institutions of higher education, and participating school districts, which are treated as state agencies when participating. Although coverages through the Fund may be in formats similar to insurance policies, the relationship between the Fund and entities covered by it is not that of insurer and insured. In managing and defending claims against covered entities, the Risk Management Fund will consider the covered entities' interests, but the final determination as to claim management, defense and settlement is exclusively with the Risk Management Fund.

Risk Management coordinates with covered entities through working agreements, joint training, claims adjusting, technical consultation, plan reviews, risk reviews, self-

inspections, inspections, newsletters, advisory letters, and other means. Each entity has a risk coordinator who is a primary contact point. Computer generated loss reports are frequently supplied to risk coordinators as are recommendations and inspection reports. Entity facility and property information is annually requested.

Additional FTE is recommended for an auto claims appraiser

The Analyst is recommending one new FTE to improve the Claims section's responsiveness to first and third party auto physical damage claims. Risk Management has been using two interns, each working an average of 19 hours per week, to staff this function since FY 1996. The new position will work closely with the Division of Fleet Operations to appraise damaged vehicles and provide appropriate recompense.

Significant revenue difference between FY 1998 and FY 2000

The Analyst notes that revenue from premiums increases almost 60% (\$6,736,500) from FY 1998 to FY 2000. This is the second year in which a significant difference between projected and actual revenues has existed. The difference is a result of refunds to school districts and the Utah Department of Transportation. Revenues for FY 1999 and FY 2000 are based on actuarial assumptions, while actual 1998 revenues include rebates for "equity position" in the risk pool. Depending on actual claims experience, additional rebates could occur.

3.2 Programs: Risk Management - Workers Compensation

Recommendations

The Analyst is recommending revenues of \$6,754,600 and two FTEs for this program.

Statement of Revenues and Expenses				
	FY 1998	FY 1999	FY 2000	Difference
Revenue	Actual	Estimated	Analyst	99Est/Analyst
Premiums	5,748,300	6,208,000	6,704,600	496,600
Interest	42,800	50,000	50,000	
Total	\$5,791,100	\$6,258,000	\$6,754,600	\$496,600
Expenditures				
Personal Services	132,400	139,500	139,900	400
In-State Travel	4,100	4,300	4,300	
Out-of-State Travel	1,800	2,600	2,600	
Sub -Total Travel	5,900	6,900	6,900	
Current Expense	4,779,000	5,768,700	6,207,700	439,000
Data Processing	900	900	900	
DP Capital				
Capital Outlay				
Pass-Through	4,000	4,000	4,000	
Total	\$4,922,200	\$5,920,000	\$6,359,400	\$439,400
Net Op. Income	\$868,900	\$338,000	\$395,200	\$57,200
FTE Standard	2.0	2.0	2.0	0.0
FTE Building Block	0.0	0.0	0.0	0.0
Total FTE	2.0	2.0	2.0	0.0
Auth. Capital Outlay	\$0	\$0	\$0	\$0
Retained Earnings	\$1,044,700	\$1,382,700	\$1,777,900	\$395,200
GF Cash Deficit	\$0	\$0	\$0	\$0

Summary

The State Risk Manager administers programs to keep workers compensation claims to a minimum. As a result rates charged by the Workers Compensation Fund remain low. Premiums are collected as a percentage of the payroll base of state employees.

The ADA/Workers compensation section provides training and assistance with Americans With Disabilities and workers compensation issues. This section coordinates all actions with the Workers Compensation Fund for state agencies. Services include claims review, case management, loss prevention programs, return to work programs and assistance in processing Workers Compensation claims.

4.0 Tables: Division of Risk Management

Revenue	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
	Actual	Actual	Actual	Estimated	Analyst
Premiums	18,990,700	13,961,900	17,214,200	24,410,400	25,009,400
Int Inv Rst	2,783,700	2,640,200	2,747,900	2,800,000	2,850,000
Other/ Misc	15,300				
Total	\$21,789,700	\$16,602,100	\$19,962,100	\$27,210,400	\$27,859,400

Programs	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
	Actual	Actual	Actual	Estimated	Analyst
Risk Management	16,047,200	11,490,800	14,171,000	20,952,400	21,104,800
Workers Compensation	5,742,500	5,111,300	5,791,100	6,258,000	6,754,600
Total	\$21,789,700	\$16,602,100	\$19,962,100	\$27,210,400	\$27,859,400

Expenditures	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
	Actual	Actual	Actual	Estimated	Analyst
Personal Services	1,214,800	1,347,800	1,463,700	1,522,600	1,572,500
In-State Travel			21,100	21,300	21,300
Out-of-State Travel			17,600	21,100	22,200
Sub -Total Travel	30,500	34,400	38,700	42,400	43,500
Current Expense	18,551,200	15,014,200	17,397,700	24,576,300	24,389,200
Data Processing	186,000	131,400	149,200	107,400	107,400
DP Capital			33,000	56,000	56,000
Capital Outlay	37,700	32,100	68,500	500,000	458,900
Pass-Through	534,000	131,000	89,400	87,500	87,500
Total	\$20,554,200	\$16,690,900	\$19,240,200	\$26,892,200	\$26,715,000
Net Op. Income	\$1,235,500	(\$88,800)	\$721,900	\$318,200	\$1,144,400

FTE/Capital/Earnings	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
	Actual	Actual	Actual	Estimated	Analyst
FTE Standard	22.5	22.5	23.5	23.5	23.5
FTE Building Block	0.0	0.0	0.0	0.0	1.0
Total FTE	22.5	22.5	23.5	23.5	24.5
Auth. Capital Outlay	\$0	\$10,000	\$39,400	\$180,000	\$0
Retained Earnings	\$2,258,600	\$2,169,800	\$2,891,700	\$3,209,900	\$4,353,900